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TRADE AND DEVELOPMENT BOARD

COMMISSION ON INVESTMENT, TECHNOLOGY AND RELATED FINANCIAL ISSUES
Expert Meeting on Portfolio Investment Flows and Foreign Direct Investment
Geneva, 28-30 June 1999
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I PROVISIONAL AGENDA

1 Election of officers

2 Adoption of the agenda

3 Foreign portfolio investment and foreign direct investment: characteristics, similarities, complementaries and differences, policy implications and development impact

4 Adoption of the outcome of the meeting

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1: Election of officers

1. It is recommended that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2: Adoption of the agenda

2. The provisional agenda for the Meeting is contained in section I above. The schedule of meetings for the three days is attached to the present document.

Documentation

TD/B/COM.2/EM.6/1 Provisional agenda and annotations

Item 3: Foreign portfolio investment and foreign direct investment: characteristics, similarities, complementarities and differences, policy implications and development impact

3. The Commission on Investment, Technology and Related Financial Issues, at its third session in September 1998, decided to convene this Expert Meeting to consider the relationships between foreign portfolio investment and foreign direct investment.

4. The Expert Meeting will have before it a report prepared by the UNCTAD secretariat entitled "*Foreign portfolio investment and foreign direct investment: characteristics, similarities, complementarities and differences, policy implications and development impact.*" The report draws on the background staff paper: "*Comprehensive study of the interrelationship between foreign direct investment and foreign portfolio investment*" (UNCTAD/GDS/GFSB/5).

5. The question of the benefits of capital flows to emerging market economies continues to be discussed in various fora. Understanding the specific attributes of different types of flows would be helpful both to assess the impact of these flows on recipient economies and to define approaches to attracting and better managing investment flows. The issues to be considered at the expert meeting are the following:

(a) Definition and statistical recording problems. Foreign direct investment (FDI) is defined as a foreign investment with a lasting interest in an enterprise, while foreign portfolio investment (FPI) includes a variety of instruments which are traded or tradeable in organized and other financial markets. In some cases, however, the distinction between FDI and FPI becomes blurred.

(b) Contributions to development. Because of the difference in the nature of investment contracts and in the impact on host countries' business environment, there could be many complementarities between FDI and FPI.

(c) Determinants and comparative volatility. Determinants of FDI and FPI are fundamentally different, although the locations of both types of investment are concentrated in almost the same small number of middle-income countries. FPI is clearly more volatile than FDI, as it can easily be traded on financial markets.

(d) Policy implications. Given the dissimilarities and the complementarities between FDI and FPI, the policy regimes relating to FDI and FPI could be expected to be different. The key issue is that the higher volatility of FPI would require a more prudent approach to the liberalization of such flows.

Documentation

TD/B/COM.2/EM.6/2	Foreign portfolio investment (FPI) and foreign direct investment (FDI). Characteristics, similarities, complementarities and differences, policy implications and development impact. Issues for consideration.

Item 4 Adoption of the outcome of the Expert Meeting

6. The Expert Meeting will adopt its recommendations/findings/conclusions at the end of the Meeting. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

EXPERT MEETING

Day 1	Day 2	Day 3
Morning Plenary: - Opening of Meeting - Election of officers - Adoption of agenda - Introduction to item 3 (FPI and FDI) by the secretariat Followed by: Informals: (a) FDI and FPI: definition and statistical recording	**Morning** Informals (continued): (c) Determinants and volatility	**Morning** Informals (continued): (d) Policy implications (continued) Followed by: (e) Consideration of outcome
Afternoon Informals (continued): (b) Contribution to development	**Afternoon** Informals (continued): (d) Policy implications	**Afternoon** Informals (continued) (e) Consideration of outcome Plenary (closing): Adoption of outcome